



Committee On Finance

Max Baucus (D-Mont.)

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Floor Statement of Senator Max Baucus (D-Mont.) Regarding Trade Adjustment Assistance Improvement Act of 2007

Mr. BAUCUS: Mr. President, I am pleased today to introduce the Trade Adjustment Assistance Improvement Act of 2007 with my good friend and colleague, Senator Norm Coleman.

Trade and Adjustment in 2007

In 2006, the United States passed, signed or concluded no fewer than five new free trade agreements. This June, the President's authority to negotiate trade agreements will expire. Congress should extend the President's authority to negotiate these deals. But when we do, we must raise the bar higher than before. Each deal must surpass the last, in order to take advantage of and adjust to changes in the global marketplace that affect American businesses and workers.

Congress will consider these agreements on their merits. In most cases, these deals will mean more access for American producers and service providers. In some few cases, these agreements could mean more and fiercer competition for producers and providers here at home.

Competition is the engine that drives market economies like ours. It spawns innovation and creates new jobs. But just as jobs are created in new sectors of our economy, jobs are also lost in other sectors which experience sudden or unfair competition from abroad.

Whether and how effectively we help those firms and workers who feel the negative effects of our national trade policy will, in large part, determine whether and how effectively we can move a trade agenda forward this year.

During the last several Congresses, we have experienced unprecedented change in the global marketplace and in our labor market at home. I have worked to raise the bar on our efforts to help workers affected by these changes. Today, I propose again, more urgently than ever, that Congress and the administration work together to adapt our national worker adjustment strategies to the challenges of globalization. The Trade Adjustment Assistance Improvement Act is a first and necessary step in that direction.

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The Trade Adjustment Assistance Improvement Act includes many proposals that Congress should consider before the program expires this September. The Act extends coverage to more of the workers who are affected by trade and globalization. And the Act will improve the overall efficiency and effectiveness of the program.

Equity for Service Workers

For more than a century, the manufacturing sector drove the American economy. So, when President Kennedy decided to open the American economy to more trade, he established the Trade Adjustment Assistance program to help workers in the manufacturing sector adjust to change.

Today, our economy depends upon service exports. More than 75 percent of the American labor force work in services. While many service sector jobs cannot be outsourced, technology change makes it possible to provide many services remotely, in such fields as accounting, healthcare, and computers and information technology. So when a large call center left Kalispell, Montana, three years ago for Canada, the Montana workers left behind did not have access to the same benefits that workers laid off from the Columbia Falls Aluminum manufacturing plant did. They should have.

Last year, the Department of Labor agreed, for the first time ever, that workers who produce software, an intangible product, should be eligible for Trade Adjustment Assistance. That was a step in the right direction. We should take the next step this year. We should finally extend coverage to American service workers. That is what my bill proposes.

Industry-wide Certification

Trade Adjustment Assistance certification takes place on a case-by-case, plant-by-plant basis. This means that while two factories producing the same products may both experience foreign competition that leads to layoffs, often only one of those factories' laid off workers gets certified as eligible for the program.

Consider the softwood lumber industry. At least 12 out of 35 Trade Adjustment Assistance petitions filed by workers in Montana's softwood lumber industry over the last seven years were denied by the Department of Labor. Yet, all of these mills were similarly affected by the same market conditions—dumped and subsidized Canadian imports. The International Trade Commission found that Canadian imports injured or threatened to injure the softwood lumber industry on a national scale.

But the Department of Labor's certification process does not take into account the bigger—and often more meaningful—picture. It simply relies on data provided by individual companies that lay off the workers to make its case-by-case determination.

The legislation that I introduce today makes industry-wide certification automatic for workers anywhere in the United States if the President, the International Trade Commission, or another qualified Federal agency determines that imports are harming that industry. My bill also authorizes, but does not require, the Secretary of Labor to make industry-wide determinations if she receives three or more petitions in one industry within one six-month period, or if the Senate Finance Committee and the House Ways and Means Committee pass a resolution requesting such an investigation.

TAA for Firms

We can anticipate and in some cases even prevent displacements by renewing and expanding our commitment to small and medium-sized American companies looking to recapture their competitive edge. One key, yet small program that can help prevent displacements and shifts in production to overseas is the TAA for Firms program in the Department of Commerce. The Firms program reaches out to companies that have experienced decreasing sales or production due to import competition and have laid off or expect to lay off workers.

This program is chronically under-funded, and it should also be available to service sector firms. This bill would authorize \$50 million for this program to reach more small- and medium-sized businesses across the nation before they are forced to lay off their American workers and close their doors.

This bill also moves the Firms program from the Economic Development Administration at Commerce back into the International Trade Administration. That's where it was previously. And frankly that's where it ought to have remained. Despite the Firms program's proven track record, proposals related to the program under the Economic Development Administration have sought to either defund the program altogether, or to limit eligibility by increasing the profit-loss margin required for participation and arbitrary termination of firms after two years. The Firms program is a trade program and should be administered by an agency whose primary mission is to help American companies to adjust to and benefit from trade.

Fulfilling the Promise of Wage Insurance

In 2002, with the passage of the Trade Adjustment Assistance Reform Act, I had great expectations for our first wage insurance demonstration project. In theory, wage insurance—or Alternative Trade Adjustment Assistance—encourages swift re-entry into the workforce by replacing a portion of a worker's lost wages when a worker accepts a lower paying job within six months of a layoff. Workers who choose wage insurance over traditional Trade Adjustment Assistance training and income assistance often have less access to good training or simply cannot afford to be out of work during their training. Wage insurance provides an incentive for employers to hire lower-skilled and older workers and train them on the job.

In practice, I have been disappointed with the Department of Labor's implementation of the wage insurance proposal that we crafted in 2002. In a 2004 review by the Government Accountability Office, the Department of Labor's implementation of the benefit came up far short of the mark. Last year, the Government Accountability Office once again found that the Department needed to improve its implementation, focusing specifically on its outreach to and direction of state employment service offices.

I hope to work with the Department of Labor on strategies that will improve its outreach. Wage insurance can help put people back to work, and can even save money over traditional Trade Adjustment Assistance. But it cannot do either of those things if no one knows about the benefit.

This bill streamlines the process to qualify for wage insurance, and lowers the eligible age from 50 to 40. Wage replacement should be available to younger workers who would re-enter the workforce more quickly if they could afford the often steep wage cut.

Healthcare Assistance for Displaced Workers

Another key component of the Trade Adjustment Assistance Reform Act was the health care tax credit to help displaced workers and some retirees maintain access to health insurance coverage. As health costs grow, losing health insurance can be as financially devastating to workers as losing a job. While I still believe that the TAA health care tax credit holds promise, this is clearly an area where reforms are needed to help the credit achieve its purpose.

Today, the TAA health care tax credit helps only a fraction of the hundreds of thousands eligible for assistance. In its first two years, less than six percent of eligible workers and retirees enrolled. A GAO report released last year studying five major plant closings in 2003 and 2004 found that only three to 12 percent of eligible workers enrolled. More than half of the workers studied didn't sign up for the tax credit because the 65 percent subsidy was too low to make health coverage affordable.

The tax credit also suffers from complexity and administrative red tape. More than half of eligible workers in GAO's recent study didn't even know about the benefit. About a third of workers who knew about the benefit decided not to enroll because it was too confusing. Even those who understand it have to navigate complex rules and requirements to get the benefit.

We need to make this program simpler, more affordable, and more seamless so that more workers can take it up in the years ahead. We need to improve the information that workers and retirees get about the program and create systems to ensure that they get it. We need to cut down on the red tape. And we need to look at options to make this benefit more affordable so that we can truly reach the hundreds of thousands eligible for this benefit that Congress intended to help when we enacted these reforms four years ago. I plan to introduce a bill later in the year that will achieve these goals for reforming the health care tax credit and will look forward to working with Senator Coleman and other colleagues in this effort.

Conclusion

The forces of globalization, like trade and technology change, have created tremendous opportunities for American businesses and workers, from cutting the cost of living to increasing the margin of profit. Trade accounts for a quarter of our gross domestic product. The adjustments we have made to maximize trade's benefits save the average American household \$9,000 annually.

But we must also make adjustments to respond to the challenges that come with globalization. American businesses in the 21st century face rapidly-changing consumer preferences and ever-swifter technological advances. Global competition is fierce. Innovation is the key to these companies' continued prosperity.

The same holds true for American workers. They know that they must adjust to changes in the labor market if they are to maintain their place in it. Workers must be prepared for one or more career shifts before retirement. They must acquire more skills, and refresh their skills more often.

We can help American companies adapt, and regain their competitive edge in the global marketplace. We can help more trade-displaced workers get back into the workforce. We should help these workers adapt not only to trade displacement, but to all the other aspects of globalization as well.

American workers and the companies that employ them must each continually adjust to a changing world marketplace. So too should our worker adjustment strategies.

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